

March 6, 2011

Finance, Revenue, & Bonding Committee  
Legislative Office Building  
Hartford, CT 06106

**RE: Raised Bill No. 1007 – An Act Concerning the Governor's  
Recommendations on Revenue**

Dear Chairmen Daily and Widlitz,

My business, our 25 employees, and I urge you not to support **Raised Bill No. 1007 - An Act Concerning the Governor's Recommendations on Revenue** as it has been published. In every public forum I have been to where Governor Malloy has spoken, his major concerns and focus were on jobs and remaining competitive with neighboring states. In the proposal our industry may now be facing an increase in sales tax, imposing a luxury tax, charging tax on storage and labor where previously it was zero, and removing the trade-in allowance for new purchases. In addition, the door has also been left open for assessing boats with property taxes. I understand the hope of the state to raise additional revenue by implementing such action but in almost 25 years of working 7 days a week in this business if passed as proposed, not only will you not generate the anticipated income from the new taxes, hundreds of jobs will be eliminated and with that, businesses will close. This is not speculation, as when the luxury tax was imposed on discretionary items in the early 90's, millions of dollars in unemployment benefits were paid out above and beyond any taxes collected. Those that can buy are not affected by such legislation; it's the small businesses and the employees that ultimately take the hit.

Today, approximately 110,000 boats are registered in our state. 78% of those registrations are on boats less than 26'. These are families that are making these purchases, not the rich and famous.

If the Governor truly intends for the businesses in Connecticut to remain competitive with our neighboring states, Rhode Island will surely be the benefactor of the latest proposal. While our state will be charging 6.35% sales tax, 3% luxury tax, sales tax on labor and storage, coupled with the removal of the trade-in allowance, people in position to make a purchase will crowd I-95 even further on their way to Rhode Island where the tax rate on the identical purchase and services is 0%. Needless to say, that is hardly competitive.

How impactful are the taxes? Just last week I met with owner of Three Belles Marina in Niantic and he shared with me that a Niantic resident came in to purchase three (3) kayaks for his family at a price of \$700 each. Those kayaks were purchased in Rhode Island as the consumer felt it was worth it to save the \$126 in sales tax. This is by no means a big deal, but is reflective of how sensitive the consumers are to taxes regardless the size of the purchase. In the same week a marine repair facility in Pawcatuck Connecticut employing 6 people has already began relocating his offices to Westerly so he can simply keep his existing customer base. In addition to being owner of Boats Incorporated, I am also on the board of Connecticut Marine Trades and I can tell you calls like these are coming in on a much too frequent basis, especially of late. Why? The industry has been doing everything it can to simply hang on over the past 3 years; the proposed will simply kill us.

One of the great things about business in this country is to watch how companies can adapt and change with the times as those who change and adapt to market conditions typically prevail, and sometimes even reinvent themselves. This "reinvention or adaptation" isn't realistic in our industry as we are bound by the Coastal Area Management Act (CAM) that regulates or zones our businesses to remain solely for water-dependent uses. If we can't change or compete, we are doomed.

Today the marine industry in Connecticut today represents approximately 500 businesses and around 4,500 employees. In 2006-2007 the industry consisted of 600 businesses and over 12,000 employees. Based on the decision of one customer deciding to cross state lines in order to save \$126, if passed you can see what effect the current proposal will have on our entire industry.

We live in a state that has miles and miles of beautiful shoreline meant and encouraged by our state to be used. Within that, a large industry has been created employing thousands of people, generating millions of dollars of revenue to the state's coffers while also offering some incredible recreation for those who live here and visit us. We need to keep it viable and competitive.

I and everyone in my company urge you not to support **Raised Bill No. 1007 – An Act Concerning the Governor's Recommendations on Revenue**. It will not bring in additional revenue projected, and it will cost something our state sorely needs right now, jobs.

Sincerely,

Don MacKenzie  
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